

On the Explanation of the Wealthy Slave in Classical Athens

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## On the Explanation of the Wealthy Slave in Classical Athens

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## SUMMARY

This paper seeks to explain the existence of wealthy and socially influential slaves in the fourth century BCE at Athens, Greece. I describe what went on at Athens from the late seventh century until the early third century and show that transformation in the land to labor ratio combined with cultural, legal and political changes led to a period of time where slaves acquired wealth and power. First, changes in the land to labor ratio at a time when Athens was going through vast political change led to a culture where it was socially unacceptable for a free Athenian to work for another free Athenian. Slaves could then work in sectors unavailable to free Athenians, which led them to gain wealth and eventually societal power.

I use Ian Morris's explanation of why Athens began to use slave labor and show why it was inefficient for Athenian agricultural workers to hire free labor.<sup>1</sup> I then show why the institution of never working continually as a free laborer under someone else continued throughout the sixth through fourth centuries. The section concludes that allowing slaves to gain skills in areas of the economy that would have been profitable, but socially stigmatized for Athenian citizens, allowed slaves to gain wealth.

Using Classical research on the institution of households and basic risk vs. return logic, I expand upon my previous points to show that the Athenian way of maintaining households was the optimal way to minimize risk. This led to a physical separation

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<sup>1</sup> Ian Morris, Hard Surfaces. (London: Routledge, 2002), pg. 34-38.

between master and slave and allowed the slave to gain power and influence in society. Finally, I discuss the Athenian concept of manumission in the context of principal-agent theory, and more specifically refer to Douglass North's transaction cost theory of exchange in order to show how slaves were not able to use their wealth and power to gain freedom.

# CHAPTER 1

## INTRODUCTION

Athens, Greece during the fifth and fourth century BCE is one of the rare examples of a classical slave society where slave labor was used in virtually every occupation of society.<sup>2</sup> Although slavery has been widespread throughout world history following the communal period of development, there are very few examples of nations or societies whose entire occupational structure was completely dependent on slave labor.<sup>3</sup> A slave society differs from what one could call the “normal” institution<sup>4</sup> of slavery in that every aspect of the economy and commerce was dominated by slave labor. Slaves were not only predominate in the agricultural or household sectors, as was common in the rural American south or Roman Republic, but slaves also worked along side freemen in literally every occupation. M.I. Finley explains that, “there was no activity, productive or unproductive, public or private, pleasant or unpleasant, that was not performed by slaves at some times and in some places in the Greek world.”<sup>5</sup>

Although slaves worked in every occupation, at Athens positions were not specifically designated for slaves, except for the police force and miners as these occupations were entirely dependent on slave labor.<sup>6</sup> These positions were paid for by the city-state of Athens using public funds. One might think that the general lack of clear

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<sup>2</sup> All dates are BCE unless otherwise noted.

<sup>3</sup> Edward E. Cohen, *The Athenian Nation* (Princeton, N.J.: Princeton University Press, 2000), pg 5.

<sup>4</sup> Institutions here will always refer to the new institutionalism definition by Douglass North.

<sup>5</sup> M.I Finley. *Economy and Society in Ancient Greece* (New York: The Viking Press, 1982), pg. 99.

<sup>6</sup> J.A.C.T. *The World of Athens* (Cambridge University Press, 1984), pg. 187.



occupations for slaves points to their insignificance within the economy, but instead the reverse is true- Athenian society during the Classical era<sup>7</sup> was completely dependent on slaves for production, distribution and consumption.<sup>8</sup>

An oddity of this Classical period of Athenian history is that a small yet influential subset of slaves was able to gain wealth and power. Only recently has research acknowledged their existence, and debate continues on the most precise way of categorizing these wealthy and powerful individuals who were also slaves. Although this debate is fascinating and has implications that challenge some long-assumed facts about ancient Greece, it is for Classicists to discuss. However, it is clear that a class of individuals existed under the unusual set of circumstance where they were slaves yet also had accumulated individual wealth and social connections separate from their master. This wealthy class of slaves appears to have begun in mid-fifth century Athens. Although there is no evidence to suggest that this phenomenon was restricted only to this geographic location, I have not found research that documents its existence outside of the Classical era in Athens.

It is generally accepted that by the early fourth century there are at least 30 documented cases of slaves running their own business while paying their masters rent or setting up their own households independently from their masters.<sup>9</sup> It is important to note that servitude at Athens was very different than the slavery of North America's South. Specifically, it was not racially motivated and it involved the possibility of manumission

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<sup>7</sup> Classical era encompasses all of the fifth century and the fourth century until 404 when Athens capitulated to Sparta thus ending an independent Athenian nation.

<sup>8</sup> Cohen, *The Athenian Nation*, 130-131.

<sup>9</sup> Ibid, 134-136.

with no legal attachment. These two characteristics explain why slaves could achieve social equality with free persons and gain wealth and power, unlike the slaves of the American South.

The paper focuses on this small class of slaves. I investigate how these slaves were able to gain wealth and power, without enjoying the freedoms available to other members of society. Specifically, I examine why at Athens it was beneficial for Athenian citizens to allow a small subset of slaves to gain both wealth and power, during the Classical era lasting from the fifth to the fourth century.

Assuming that the masters of slaves were neither benevolent nor stupid, why would rational slave owners not take most, if not all, of their slave's earnings? It is clear that Athenians did not have morals or ideals that prevented them from treating slaves as chattel. To show this I give two examples; the first is a quote from Aristotle that illustrates the purpose of a slave,

“Any human being that by nature belongs not to himself but to another is by nature a slave; and a human being belongs to another whenever, in spite of being a *man*, he is a piece of property, that is a tool having a separate existence and meant for action.”<sup>10</sup>

The second is simply a fact- there were no laws that protected the rights of slaves during the Classical period at Athens. If there were moral sentiments that proscribed the benevolent treatment of slaves, it was not reflected in the laws, edicts or writings of the

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<sup>10</sup> Tufts University. Aristotle, *Politics*. c.334-23 BC.

period. On the other hand, there has survived many laws, edicts, and writings denying not only the rights of slaves, but justifying the morality of the institution.

Most research that seeks to explain the causes of the wealthy slave phenomenon locates its roots within the prevailing institutional practices of the related to the acquisition of power and prestige. The seminal classical explanation is provided by Edward Cohen who articulates in the “Athenian explanation” three probable reasons that slaves were able to gain wealth and power.<sup>11</sup> First, he theorizes that the Athenian concept of work ethic; the idea that no free person works continually under another, allowed slaves to gain skills and connections that would have been unavailable to them if free persons worked in the same jobs. Second, despite the accumulation of wealth and power, they remained slaves because manumission specifically mandated no further contractual relationship between master and slave. Cohen contrasts this to the Roman Republic when a slave might be freed in name, but still remains tied to his old master through the patron-client relationship. This formal and legal relationship mandated the slave would have to continue to pay a substantial rent to his former master even after he was legally free. Lastly, Cohen concludes that the institution of *oikoi* (households) and the related idea of slaves maintaining their own households (*khoris oikountes*) were essential in the economic and social advancement of slaves because these institutions provided an incentive for slaves to use their business acumen to the benefit of themselves and masters. These institutional practices differ significantly from plantation slavery in the American South. The plantation slave had an incentive to sabotage the means of

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<sup>11</sup> Cohen, *The Athenian Nation*, 141-154.

production as a way of undermining the efficiency of the slave system. As the system of slavery in the American South became more productive, for example through the invention of the cotton gin, the institution of slavery became more deeply ingrained in society. Hence if a slave worked hard this would only lead to greater enrichment of the master and deprivation and degradation for the slave. In fact, but for the invention of the cotton gin the institution of slavery in the Americas would have died much more quickly. The opposite was true in Athenian society, and the more productive as slaves were, the greater was a possibility of accumulating wealth and power and manumission.

While these three practices were factors contributing to the class of wealthy slaves, they do not explain why these practices existed in the first place. Cohen does not ask why these institutional practices evolved in Athens or why these institutions existed only during the fifth and fourth century and not during any other time. Classical research of this era has not focused on this temporal dimension. Cohen also does not answer why these practices were peculiar to this particular period of Athenian history, nor does he connect the rise and fall of the wealthy slave phenomenon with the rise and fall of these institutional practices. This admission may be due to a lack of sufficient data relating to the time period under consideration. Nevertheless, a general timeframe for the rise and fall of different institutions relating to slavery is needed.

Edward Cohen's research on this topic is far more extensive than others, and my research depends heavily upon his findings. In this paper I attempt to make a unique contribution by introducing the concept of economic rationality into his "Athenian explanation."

The underlying set of economic assumptions are simple, as they must be, for Athens in the fifth century BCE cannot be assumed to have followed of the complex market principles and theories uncovered for the first time during the modern era of economic history. This does not mean that classical Athenian economy did not follow rational economic principles of self interest. On the contrary, I believe that Athenian citizens in the seventh thorough fourth century were utility maximizing individuals in modern classical economic sense. To them however utility maximizing behavior included the pursuit of honor and wealth. I assume Athenian individuals desired wealth (*kerdos*), and acted in ways that increased their total household wealth holdings. Furthermore I assume they acted in ways that maximized their honor (*timē*) and that there is a trade-off between wealth and honor. For example, one could gain honor (*timē*) for example by building a public library or commissioning a public art work, i.e. trading wealth for honor. Honor was an important concept and one could be prosecuted for offending someone's (even a slaves) honor.<sup>12</sup> Therefore I assume Athenians maximize their utility by determining their optimum combination of wealth and *timē* given the constraints of their society.

I organize my paper as follows. In the first section I describe what went on at Athens from the late 7<sup>th</sup> century until the early 3<sup>rd</sup> century and show how certain events in this time period led to slaves acquiring wealth and power: first, changes in land along with Athenian culture led to a state where it was socially unacceptable for a free Athenian to work for another free Athenian. Second, slaves could then work in sectors unavailable

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<sup>12</sup> For a good argument about what economic theories and ideas should be applied to ancient economies see the introduction to Money, Labour and Land: Approaches to the economies of ancient Greece, pg. 1-7.

to free Athenians and this allowed them to gain wealth. Third, having accumulated wealth, slaves were then able to gain societal power by excelling at work.

In the second section I use Cohen's "Athenian explanation" and attempt to provide answers using the framework of modern economic rationality in order to explain why a free Athenian would not work for another. First, I use Ian Morris's explanation of why Athens began to use slave labor and show why it was inefficient for Athenian agricultural workers to hire free labor.<sup>13</sup> I then show why the institution of never working continually as a free laborer under someone else continued throughout the sixth through fourth centuries. The demand for free labor was non-existent and here I also show that supply of free labor was similarly low. The section concludes by showing that allowing slaves to gain skills in areas of the economy that would have been profitable, but socially stigmatized for Athenian citizens, allowed slaves to gain wealth.

In the third section, using Classical research on the institution of households (oikoi) and basic risk vs. return logic, I expand upon my previous points to show that the Athenian way of maintaining households was the optimal way to minimize risk. This led to a physical separation between master and slave and allowed the slave to gain power and influence in society.

In the last section, I discuss the Athenian concept of manumission in the context of historical precedents and refer to Douglass North's transaction cost theory of exchange in order to show how slaves were not able to use their wealth and power to gain freedom.

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<sup>13</sup> Ian Morris, Hard Surfaces. (London: Routledge, 2002), pg. 34-38.

## **CHAPTER 2**

### **SEVENTH TO FOURTH CENTURY IN ATHENS, GREECE**

#### **Athens in the Seventh Century to Sixth Century**

The late seventh century in Greece was the start of an unprecedented economic expansion in Greek and Athenian history.<sup>14</sup> Evidence of this comes primarily from architectural edifices and secondary sources such as the writings of Aristotle and Plutarch. Although it is impossible to know how much Athens' GDP might have increased during this time period, the economy was expanding much more rapidly in comparison to previous Athenian time periods.<sup>15</sup> Stone temples, the ones frequently associated with Greece antiquity, were erected and became common. This shows that Athenians not only had sufficient economic surpluses and time to dedicate temples to their gods, but also that they had the available resources. Artists, architects, large masons and laborers were all necessary to erect such large structures, and their existence illustrates the extent to which specialization, production and commerce had developed during the period.

There is further evidence that within these temples non-native Athenian goods were being dedicated.<sup>16</sup> Trade with other areas and commerce within Athens appear to

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<sup>14</sup> Morris, 31-33.

<sup>15</sup> Paul Day, An Economic History of Athens under Roman Domination, (New York: Columbia University Press, 1973), pg. 3-9.

<sup>16</sup> Ibid

have flourished in comparison to earlier periods.<sup>17</sup> Concurrently, there is evidence that it was during this period that Athens became a true slave society. It is impossible to determine whether it was the Athenian's eastern conquests that gave them access to a new cheap labor force in the form of foreign-born slaves, which caused an economic expansion, or whether it was the economic expansion allowed the purchase of foreign-born slaves to assist in the already booming commerce.

I hypothesize that changes in the land to labor ratio, to be discussed more in the next section, caused a growing demand for slave labor. While the direction of causality is impossible to establish, it is clear, through both primary and secondary sources, that slaves were abundant and an integral part of Athenian and Greek society for the first time. In sum, in early sixth century of Athens, there were unprecedented increases in commerce, trade and slavery.

### **Athens in the Sixth Century to Early-Fifth Century**

During the sixth century to the early fifth century institutional practices that distinguished free labor from slave labor emerged. Land went from being scarce in relation to free labor in the first part of the sixth century, to free labor being scarce in relation to land in the late sixth century and early fifth. This shift meant that it was

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<sup>17</sup> Note the "in comparison" Morris estimates that only 1-2% of goods ever ended up more than a few miles from their production area. *Hard Surfaces*, pg. 33



beneficial for land owners to shift from free household labor to slave labor,<sup>18</sup> and that plots were sufficiently large and fertile to produce profits high enough for most farmers to move beyond subsistence living.

Politically it was a time of vast change as Athens went from being ruled by an archon leader to an oligopoly to a democracy. Each political change affected the role of slaves in society. The last archon was Solon. Around 594 he freed all slaves who were of Athenian decent as well as redistributed the land. This was intended to alleviate the debt burdens of poor Athenians and prevent the practice of Athenian men, women and children paying off their debts by entering into slavery. However, land distribution did not help the agricultural worker's underlying problem of not being able to produce enough on his farm to rise above subsistence living. This was the beginning of the conscious separation between an Athenian free citizen and a slave. Prior to this time it was fairly common for citizens to become slaves; however, Solon's laws made this practice illegal and thus this ruling had a drastic impact on the institution of slavery because it change the circumstances that created servitude. Citizens were no longer able to become slaves, and thus their sympathies toward slaves must have weakened substantially.<sup>19</sup> The oligopolistic government began after Solon's fall, and then with the fall of the last ruling family the Asistratids, Athens became a democracy in around 508. Despite the political turmoil of rapidly changing political leadership, Solon's laws remained in place and became integrated into Athenian culture.

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<sup>18</sup> Shown by Morris and argument similar to one I make in the next section concerning the Athenian work ethic.

<sup>19</sup> Morris, 162-163.

## The Classical Era

During the Classical era, the fifth and fourth centuries, Athens reached the height of culture, politics and commerce, which was accompanied by frequent military and national takeovers. Athens went from being the most powerful and influential nation in the Mediterranean to losing the Peloponnesian war to Sparta. Athens then regained some trade before being taken over by Rome, which ended Athens' reign as a dominant city-state. This era spans the Athenian golden age, where Athens became a clearly complex and developed society. It is difficult to assign dates to the emergence of institutions that became embedded into Athenian culture during this tumultuous period is difficult, but there are some clues that allow general estimates.

From 490 to 478 Athens fought in the Persian war. There is little evidence of slaves being used as soldiers. Instead it appears that they served as policemen while the military was away, and then remained as the main police force even during the interludes between wars. They also worked along side the *demosioi* (public slaves) that Athens became rich enough to employ to work for the city in general.<sup>20</sup> Orrieux and Pantel<sup>21</sup> state that during this time there is an estimated 60,000 to 80,000 slaves within Athens, but they undoubtedly got this number from M.I. Finley<sup>22</sup> who admits that this is nothing more than an educated guess.

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<sup>20</sup> M.M. Austin and P. Vidal-Naquet, Economic and Social History of Ancient Greece: An introduction, (Berkeley: University of California Press, 1977), pg. 101.

<sup>21</sup> C. Orrieux and P. Pantel, A History of Ancient Greece (France: Blackwell Publishers, 1999), pg. 187.

<sup>22</sup> Finley, 102.

Herodotus claimed that in the mid-fifth century there were two suppliers of slaves, captives of war along with victims of piracy and slaves born in Athens from other slaves. It is significant that Herodotus wrote on the supply of slaves during this time because in 451 the Law of Pericles passed making only children of two citizen parents a citizen. Although there is no evidence of this, one might conjecture that the law would have been passed only if citizens were in fact producing children with non-citizens- perhaps with the new large influx of slaves. This law fell into disuse, however, during the Peloponnesian war (431 until 404), which is an indicator of an uncertain and high risk environment.

Whenever there is evidence of laws not being enforced during wartime, it is fairly safe to assume that the climate is one of high risk. If people are allowed to break the law, contracts can no longer be binding. Without trust that the legal and political system of a nation will enforce agreements, trade, sales and investments become highly risky.

Not only was there uncertainty during this period concerning investments, but labor became an intermittent problem as well. Thucydides estimates that from 414-404 more than 20,000<sup>23</sup> Athenian slaves fled Athens due to the encouragement of Sparta to become free persons there. He expresses concern for the economy because many skilled worker slaves fled among the 20,000. This shows that slaves were still doing high skill jobs in Athens as late as the end of the fifth century and into the fourth.

We have interesting first-hand evidence about what was going on with land ownership during the later part of the fifth century. Dionysius of Halicarnassus on

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<sup>23</sup> I repeat this number with skepticism- there is really no way for anyone to know how many slaves fled Athens during this period, but most Classicists seem to take this number as at least reasonable.

Lysias<sup>24</sup> claimed that a land bill that did not pass the Assembly in 403 would have restricted the rights of 5,000 Athenians. Based on this number<sup>25</sup> and other facts<sup>26</sup>, it is estimated that only 20% of the free population, citizens and non-citizens, did not own rural land. While this number is an estimate it remains significant that the vast majority of people still worked and derived their income from agriculture, despite booming commerce, trade and newly founded industries such as pottery and ceramics.

It is only at the end of the Classical era that there is evidence of the wealthy slave phenomenon existing. Most of this evidence is in the form of documents concerning trials, and commentary of the arguments of the lawyers. One example comes from a speech by Demosthenes that describes a slave who gained wealth as a banker, Pasion, who it was recorded died in 370.<sup>27</sup> While there is no record of how old he was when he died, we can approximate that he attained wealth and power perhaps around 400- during the tail-end of the Peloponnesian War. It would be interesting to reexamine other forms primary evidence to see if they revealed the presence of wealthy slaves might have existed such as how respectfully slaves were spoken to respectfully while giving evidence, or perhaps even testifying on matters relating to banking or commerce. However, we can say definitively that the wealthy slave phenomenon was an established institutional phenomenon by the late fifth century.

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<sup>24</sup> Austin, 266.

<sup>25</sup> While taking into account that the number 5,000 is undoubtedly biased for so many reasons

<sup>26</sup> M.I. Finley, 56-58 for a full explanation.

<sup>27</sup> Cohen, *The Athenian Nation*, 5.

## CHAPTER 3

### THE ATHENIAN WORK ETHIC

At Athens it was intolerable for a citizen to work on a continual basis for another free person, except in very rare circumstances. Aristotle wrote in the mid-fourth century that, “The condition of a free man is that he does not live under the constraint of another.” There are large amounts of research documenting this unique institutional custom, among them an account by Socrates retold by Xenophon. Socrates suggests to Eutheros, an aging free man who is afraid that he will not be able to work for himself doing physical labor much longer, that he should go and work as an estate supervisor. Eutheros immediately curtly rejects the suggestion saying that to work in another man’s service is a slave position.<sup>28</sup>

This anecdote does more than illustrate the Athenian work ethic; it also serves as an upper bound for the latest time period this institution could have been integrated into society. Xenophon was a disciple of Socrates and wrote this recount around 450. We know from the tense of the verbs in the passage Xenophon was recounting an incident that happened in the recent past. Let us assume that an “old man” was around the age of 40. As it is clearly part of the old man’s psyche that citizens do not work for other citizens I would say that this view of Athenian work ethic had been around at least since the beginning of the fifth century. Recalling what was happening with land, labor and

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<sup>28</sup> Cohen, *The Athenian Nation*, 142. (Xen. Apom 2.8)

politics during this time, I believe this to be a good estimate of the origin of the idea that free persons continually working for free persons was socially unacceptable

Given the established time frame of Athenians non-work ethic, there are two separate, but important, underlying reasons for the establishment of this institution: changes in labor demand and changes in labor supply. The concept of the Athenian work ethic has not been thought of in such basic economic terms in Classical research. Changes in land indirectly affected the wealthy slave phenomenon through the institution of Athenian work ethic. That is, changes in the demand for labor led to equilibrium where it was optimal to not hire free labor. This combined with the eventual stigma associated with working for another free citizen gave slaves the opportunity to work in high-skill jobs. The supply of labor can be thought of in two parts; supply of free labor and supply of slave labor. Although supply of slave labor fluctuated based on Athenian laws and level of conflict, the supply of free labor became close to zero as any citizen could be supported through their own labor, short term, unskilled jobs for another free person, taxes or the Athenian equivalent of public welfare.

From the sixth through fourth century, there was not a time when social customs allowed a large majority of society to employ free labor; at first this was because the majority of citizens were engaged in subsistence living and later it was because social customs prevented free citizens from being hired. Ian Morris in Hard Surfaces<sup>29</sup> theorizes that prior to Solon becoming the archon, land was in the hands of many small households who produced food mostly for personal use and used only their own labor and family

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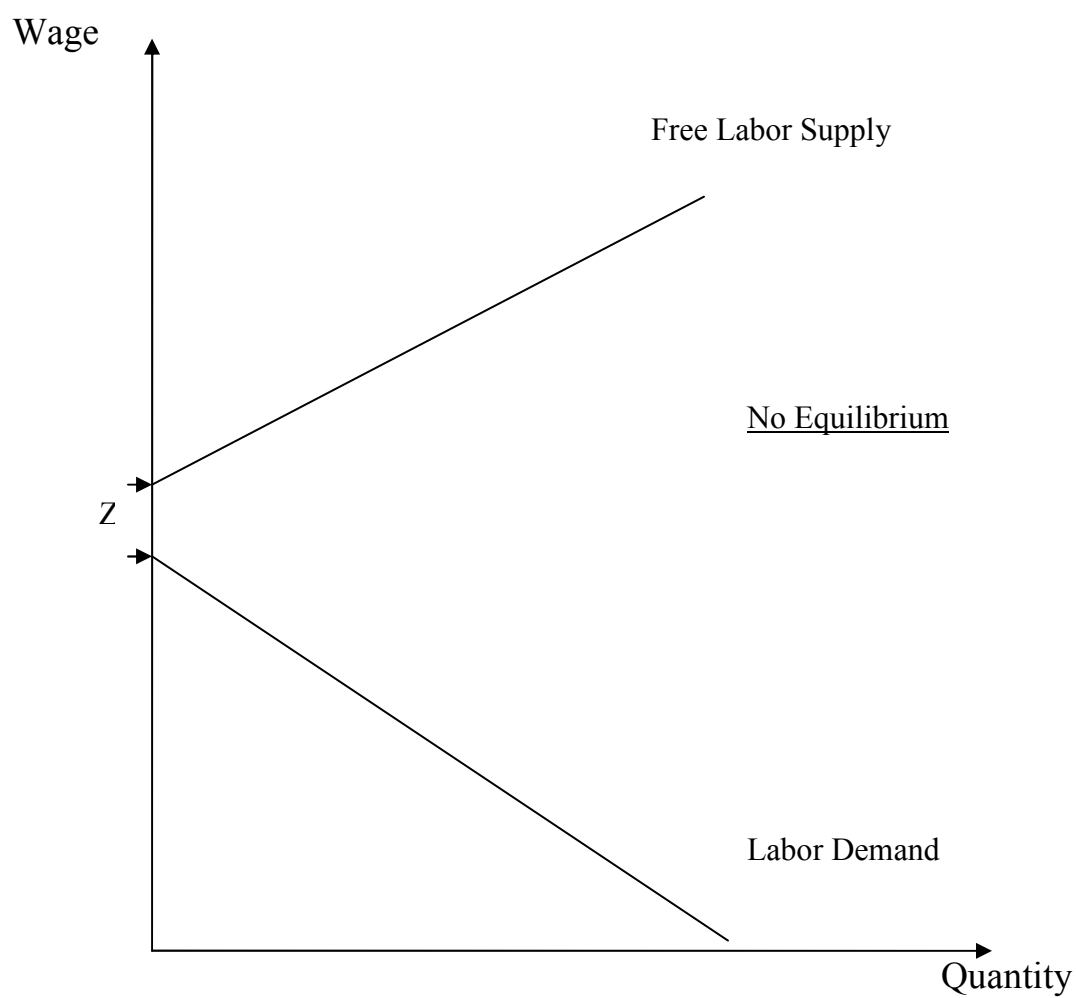
<sup>29</sup> Ian Morris, 8-43.

member's labor. These people, while citizens, lived at a subsistence level. The marginal product of labor was decreasing and any additional person working the land would add less than the cost of feeding that person, thus the majority of Athenians could not hire free or slave labor. During this time many Athenians ended up in debt to a larger landlord whom they had to borrow from to survive. Often the agricultural workers or their children were sold into slavery by their landlord because of accumulating debts. This was a way to pay off debts and keep their small plot of land.

This changed when Solon passed laws in 594 that canceled all debts of Athenian citizens and released all slaves of Athenian decent sold into slavery. While this temporarily relieved the debt and the likelihood of the enslavement of the majority of the population, Solon failed to solve the underlying problem- that small family farms could not earn enough to sustain the basic needs of a family unit. Thus Solon's law perhaps psychologically helped the farmer as he knew he would not be made a slave, but the average farmer still did not earn enough to employ free labor or own a slave.

During this time most economic activity revolved around agriculture. It is logical to conclude that no free Athenian would work under another simply because there was no market for their labor in the agricultural sector. Figure 1 illustrates this concept. Any wage,  $W_f$ , that would have been worth it for a free person to accept also would have been higher than their marginal productivity of labor, i.e. what an employer would be willing to pay them. Recall that there is already some physiological resistance to working for another Athenian, which would increase the wage a free citizen would have to be paid, in Figure 1 represented by 'Z'.

Figure One: Agricultural Workers in the Sixth century BCE



Aggregate Labor Supply and Labor Demand for Agricultural Workers  
in the Sixth century BCE.



One might ask at this point whether this remained the case in the city-state of Athens itself where there were nonagricultural specialties. This might have occurred, except that an influx of slaves accompanied the economic expansion in the sixth century. It was likely more beneficial for small shop keepers to hold slaves rather than employ other Athenians as the marginal productivity of an additional person led to high enough benefits to overcome the costs associated with owning a slave.<sup>30</sup> Figure 2 illustrates a hypothetical aggregate labor market. I contend this was the beginnings of the Athenian work ethic (of not working) being ingrained in the Athenian societal make-up as there was such little demand for free labor.

In the fifth century during the Persian war Athenians besieged Persian territory containing rich agricultural soil, and enslaved the Persian population. Most importantly according to Thucydides, “their territories were colonized by Athenian settlers.”<sup>31</sup> This opened up massive amounts of land to Athenians, who prior to this either rented from large estate holders or worked on small plots of unproductive land. Large plots of fertile land led it to be profitable for owners of land to hire other Athenians to work for them. The workers could be paid their marginal product of labor, which would be high enough cover food and other costs, and the land owners would still be able to make a profit due to increased technology.<sup>32</sup> However, this is not what happened, as shown in Figure 3. Because land was now so available it is more beneficial to any worker with some sort of savings to work the land themselves.

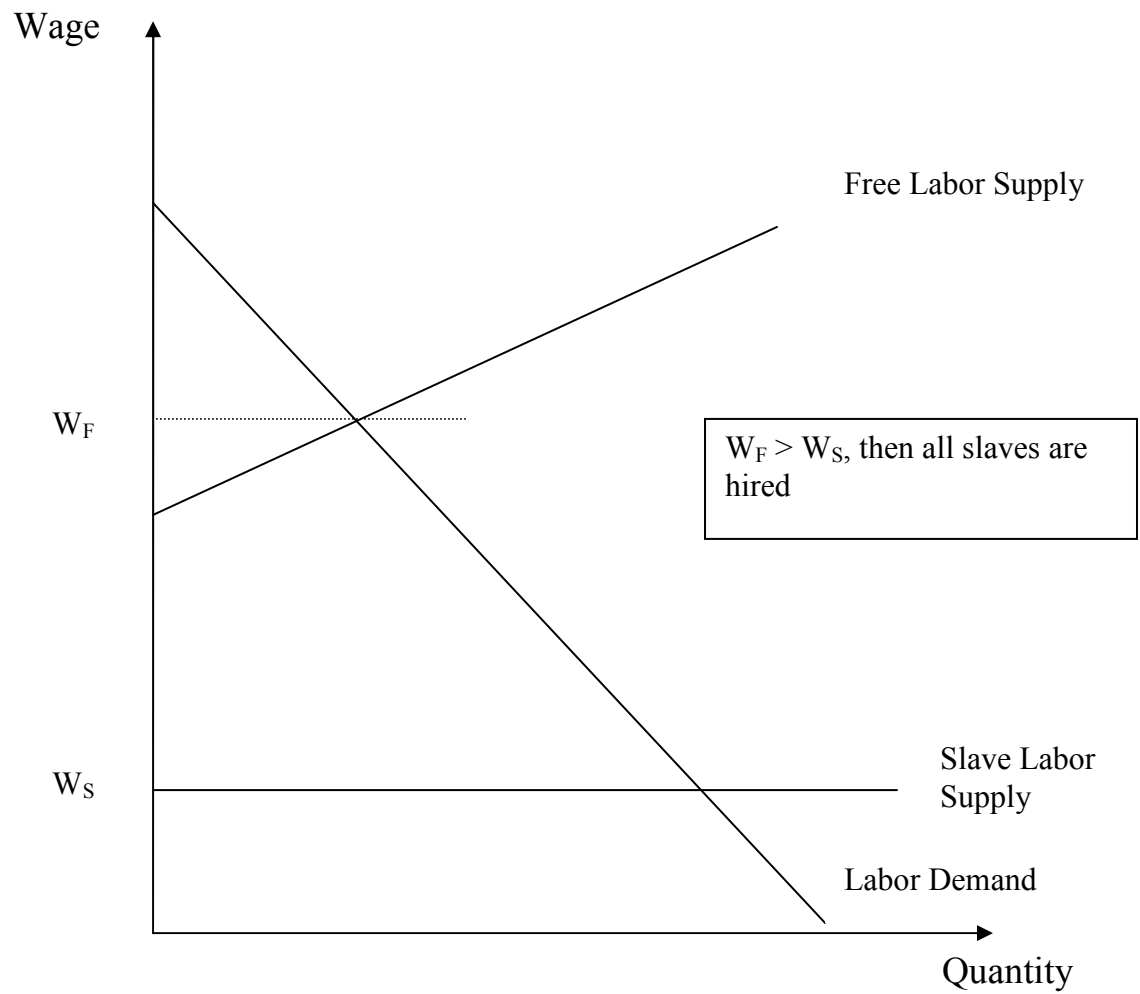
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<sup>30</sup> This of course depends on the price of a slave. The price of slave during this period is around the cost of maintaining him for a year or two. Cohen, xi.

<sup>31</sup> Tufts University.

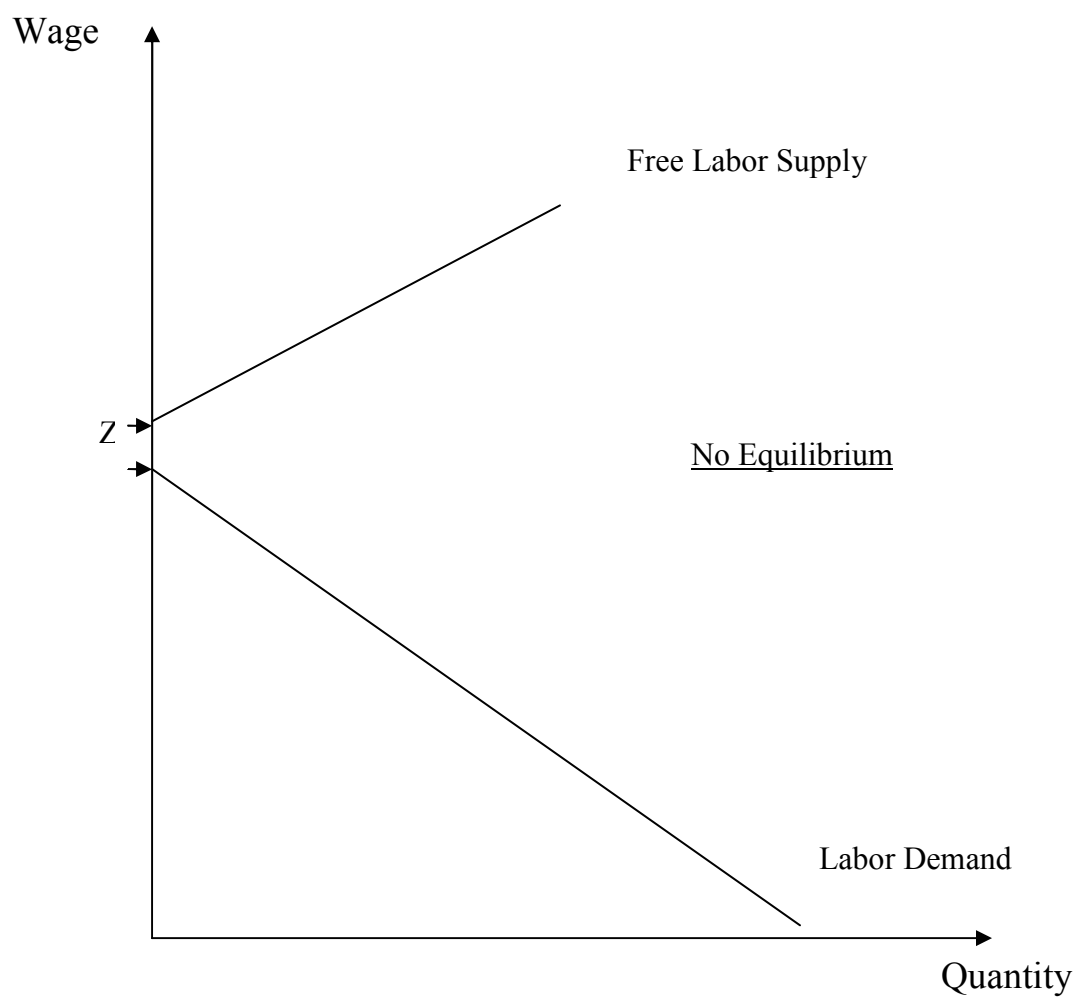
<sup>32</sup> Technology in this case meaning more advanced harvesting techniques, better tools, etc.

Figure Two: City Workers in the Sixth century BCE



Aggregate Labor Supply and Labor Demand for City Workers  
in the Sixth century BCE.

Figure Three: Agricultural Workers in the Fifth century BCE



Aggregate Labor Supply and Labor Demand in the Fifth Century BCE for  
Agricultural Workers.

Furthermore, at this time any free Athenian citizen with no savings could either get a grant from the government (politaii), or if the person was not a citizen, work for a short time for another free person and then use that money to get their own land. In addition to an excess amount of land available there was already some social stigma (Z) that increased the wage needed to entice free workers into employment. Recall, despite comparative booming commerce and the explosion of trade it is estimated that only 20% of free Athenians had no land holdings.<sup>33</sup> Again, it was not beneficial for free Athenians to be hired, and as the institution of the Athenian work ethic was already at least partially fixed into the Athenians society, and it now became even more so.

In sum, changes in land affected the institution of Athenian work ethic by making it unbeneficial for free Athenians to work in the service of others which became integrated into the culture. This indirectly allowed slaves to take skilled and unskilled positions both in agriculture and in commerce because of the demeaning connotation working for another involved for all free persons. There was also a direct effect in the fifth century; Athens suddenly had vast amounts of conquered territories with rich soil, and slaves were able to reap the benefits from the new-found agricultural prosperity. Large plots of land needed large amounts of agricultural workers and while unskilled slaves did the manual labor, skilled slave labor were needed to manage these large estates.

On the free labor supply side, once Athens became a democracy in 508 it was considered almost noble to be able to dedicate ones life to thinking about social and

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<sup>33</sup> Austin, 97.

moral questions of the day. In addition, because there was not a social stigma to be being jobless, the Athenian government would support poor citizens with tax money, as paying taxes, indeed even paying an amount above the asked for amount, was a matter of honor for Athenian citizens, and thus was given to the poor willingly. There was no great incentive for any Athenian citizen to work, let alone work for someone else, which fueled the already ingrained social work practice of the day.

In conclusion there is an economic reason why first in the Sixth century and then in the fifth, free Athenians did not hire other free Athenians. This allowed slaves to gain wealth and power both directly through advancements in agriculture and indirectly through the Athenian work ethic.

## CHAPTER 4

### THE WEALTHY SLAVE

Cohen asserts that the Athenians' historically unusual work ethic was an "ethical orientation that provided slaves with the opportunity to gain commercial skills and economic power."<sup>34</sup> North's transaction cost theory of exchange describes the basic incentive masters in the Classical era had to allow slaves to gain wealth. The general economic story goes as follows: Think of the master-slave relationship in terms of classical economic theory. The owner wants the slave, his agent, to represent his (the principal's) best interests, but the slave has no natural incentive to align his actions with his owner's wishes. The principal therefore must monitor the slave and employ a combination of incentives and punishments to align the agent's interest with his own. The owner will do this as long as the marginal cost of monitoring the slave's performance equals the marginal benefit. North concludes that this allowed the slaves to "acquire certain property rights of their own."<sup>35</sup> While North continues on to say that masters then benefit from granting slaves some rights and this allowed slaves to potentially earn enough wealth to buy their freedom, only the first part of his explanation happened in Athens.

While the marginal benefits and marginal costs of monitoring a slave would depend on the sector that the slave was working in, the types of costs incurred by slave

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<sup>34</sup> Cohen, *The Athenian Nation*, 141.

<sup>35</sup> North, *Institutions, Institutional, Change and Economic Performance*, 32.

owners are likely to be fairly consistent across sectors. The main type of cost was time- any owner would have to spend a great deal of time overseeing his slave's actions. In the most extreme case, in order for a principal to ensure a slave was acting in his best interest he would have to monitor the slave all waking hours of the day.<sup>36</sup> This obviously is not an efficient solution, and is where incentives and punishments become useful. Corporal punishment was effective in the more physical intensive sectors such as the Laurion silver mines and agricultural jobs. If badly physically injured the slaves could not work, which provided a disincentive to use corporal punishment. On the other hand, miners and agricultural slave laborers were unskilled and relative to skilled labor, less costly to replace.

In more human capital intensive jobs such as banking, or other jobs within commerce, the threat of beatings would seem like poor incentive for slaves to maximize the wealth of the master. A downtrodden slave would be of no use to a master who wants the slave to appear competent doing high skill calculations as a banker. Furthermore, it would be hard for a master to threaten anything specific, as high skill jobs that relied on documenting monetary amounts and involved copious writing of figures that would be hard to monitor in an age without a cheap means of copying the documents. Stefano Fenoaltea<sup>37</sup> makes similar comparisons using New World Slavery. Any detailed records would be hard to check in a society dependant on verbal transactions. Further supporting this theory is the lack of evidence that corporal punishment was ever used on slaves

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<sup>36</sup> It is a possibility that the slave system in Athens may conceivably have not conformed to one that required high monitoring costs.

<sup>37</sup> Fenoaltea, *Slavery and Supervision in Comparative Perspective: A Model*, 635

working in high skill positions- likely if it was an effective practice there would have been documentation of it being used.

Instead of punishment in high-skill jobs preformed by slave labor, master's used incentives. They would allow the slave to accumulate wealth, we can assume, based on profits the slave gained for their master. In industries such as banking where reliable records were necessary it would have been easy for the master to calculate a fixed percentage as a large incentive for the slave to gain profits. In other high skill jobs such as estate management records of food production and price sold, as well as slave purchases would all be the charge of a high skill slave. In this job it would be important to align the manager's incentives with the master's as the slave would have the most contact with the unskilled slave labor. Giving the slave a part of the profits would naturally align the master and the slave's incentives, and both would want to earn high profits.



## **CHAPTER 5**

### **THE POWERFUL SLAVE**

The most common method to motivate slaves to earn and keep their money was to allow slaves in high skilled jobs to gain independent wealth through the use of the institution of separate households (khoris oikountes). While Cohen explains this household as the final step in allowing slaves to gain wealth and power, it was more than just an incentive device. It was also a way for a master to insulate himself against business losses in a high risk environment.

Khoris oikountes was a unique institution in Athens whereby slaves would set up a household both physically, and for the most part legally, separate from their masters. One of the best documented sectors where the owners employed high skill slaves was banking. Banks in Athens were permanent structures set up in the marketplace where people could come day or night to do business. These banks (trapizi) were seen as extensions of the owners themselves as the owners would usually live and work in the same permanent structure. In this specific sector masters would allow slaves to live in the permanent business structure and the master would have his own household (oikia) elsewhere. This would be a way slaves could gain not only wealth, but social connections; as Athenian citizens would look at the slave and the business as one unit. Without this physical separation from their masters, slaves would never have been able to gain their own independent connections. Wealth might still have been possible as seen in slaves who gained wealth from agricultural living, but social connections with which to further their goal of independence would have been nearly impossible.

Separate households clearly were favorable for slaves and therefore they had a great incentive to work hard to acquire the skills needed to allow the setting up of a separate household. Once installed there they had the further incentive to maximize their profits so that they might remain independent. While slaves certainly had to give up a large proportion of their earnings in order to make the benefits to the master outweigh the lost profit that the slave would keep; the gains for slaves to stay there were high enough to align their interests with their masters. In the terms of the transaction cost theory of exchange, the agent's incentive structure was powerful enough to align the agent's and the principal's overall goal. In this case the master would give up wealth to the slave until the final dollar paid (i.e. the marginal cost) would be equal to the marginal benefits of having the slave work in their interests.

As a further benefit to the master, legally the master had limited financial responsibility for the slave's business failures.<sup>38</sup> During almost half of the fifth century Athens was at war with either Sparta or Persia, which we can only assume that this led to a higher risk environment in comparison to non-war times. Although it would be nice to have data on say, the interest rate, to see if high interest rates correlated with both war periods, and the wealthy slave phenomenon, it is usually true that during wars, financial institutions are more instable. This would lead bank owners to want to insulate their own personal finances against higher business risk. Perhaps the high risk environment is what made the benefit of separate households the most beneficial to high skill slave owner. Anyone who owned a high skill slave would likely be well-off in comparison to most

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<sup>38</sup> Cohen, *The Athenian Nation*, 151, footnote 107.

Athenian citizens, and therefore have much to lose if bankrupt. Any wealthy man at Athens would be both generous and risk-averse, which are two characteristics that would allow for a preference relation for less risk and less return over more risk and higher return.

## **CHAPTER 6**

### **WHY SLAVES COULD NOT BUY THEIR FREEDOM**

As slaves in the early fifth century were able to gain skills needed to acquire wealth and power, the last step is to explain why the Athenian masters did not allow slaves to use their wealth to buy their freedom. There is a long history of slaves in other cultures being able to purchase their freedom. In the Roman Republic it was common for skilled slaves to purchase their freedom and once manumitted to enter into a patron-client relationship with their former master. The former slave would often be in a position to aid their former master as manumission entitled them to the full rights of a Roman citizen, which increased the benefits of masters to free their slaves. The patron-client relationship dictated that clients accompany their patrons into the forum, support their patron's actions and share any wealth they might gain through gifts of food or other items. In return the patron would use his connections to aid his clients if needed.

The Athenian concept of manumission, while appearing to remain consistent throughout the Archaic and Classical eras, was different in comparison to other nations, including the Roman Republic. There were very few laws concerning slaves, and legally, manumission implied no further relationship between slave and master. This is perhaps because freedom did not confer citizenship (*politeia*). Citizens in Athens at this time were the only ones with access to public funds and voting rights, so it was unnecessary to bind their influence to their former master. The lack of legal or social relationship after a slave was freed made manumission both the slave's ultimate incentive and completely unbeneficial to any master. In Athenian culture the usual incentive of freedom almost was

irrelevant in the context of principal-agent theory. Manumission would never have been a serious option for profit maximizing masters. There were no wealth benefits to manumitting a slave. In addition, the culture did not value or honor people who freed their slaves, so there would be no honor gained in the act. The only cost associated with keeping the slave was to pay for the slave's upkeep. As long as the benefit of the slave was greater than their upkeep, the master would have no incentive to free their slaves. Furthermore the greater skills the slave had, the more money they would make for their master and would be more likely to pay for their own upkeep. This meant the more skilled a slave became, the less likely they were to be freed. It was the low benefits of manumission that allowed slaves to gain wealth and power, but not buy their freedom.

## **CHAPTER 7**

### **CONCLUSION**

Changes in Athenian culture due to land and labor supply, coupled with a high risk environment caused the supply and demand of skilled labor to have equilibrium of all slave labor during the Classical era. This optimal point allowed slaves to gain wealth and power due to Athenian institutions specific to this time such as the Athenian work ethic and household structure. However, the lack of incentives for masters to manumit their slaves led to these slaves gaining wealth and individual power, but not their freedom.

The wealthy slave phenomenon is documented until the early 3<sup>rd</sup> century. After being taken over by the Romans, it appears that Greece and in particular Athens absorbed much of the Roman culture, perhaps including the patron-client relationship. This would have drastically increased the master's incentive to manumit their wealthy slaves for large payments. Furthermore, instability in Athens would allow slaves, especially wealthy ones with social connections, to flee to Rome or other Roman conquered areas.

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